GOVERNMENT OF INDIA
LAW , JUSTICE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:4011
ANSWERED ON:18.04.2002
VANISHING OF COMPANIES
PRABHUNATH SINGH

Will the Minister of LAW , JUSTICE AND COMPANY AFFAIRS be pleased to state:

(a) whether a large number of companies whose accounts were duly audited by chartered accountants have vanished and investor body has demanded an investigation into the auditor`s role in `vanishing` companies ;

(b) if so, the reaction of Government to the demand and the action taken/ proposed to be taken in the matter;

(c) whether the private auditors do oblige the companies for the sake of counting their business and ignore many of the shortcomings in the accounts particularly in autonomous bodies ; and

(d) if so, whether Government propose to ensure that the auditors give a true picture of accounts and the audit of the autonomous bodies funded and controlled by the Government of India are subjected to CAG audit?

Answer

THE MINISTER OF LAW, JUSTICE & COMPANY AFFAIRS (SHRI ARUN JAITLEY)

(a): 229 companies were reported to have `vanished`, after mobilizing money from public through public issues. Chartered Accountants would have certified the balance sheets/ accounts that were duly filed by these companies.

(b to d): Action can be taken against chartered accountants under section 233 of the Companies Act, 1956 and section 21 of the Chartered Accountants Act, 1949, if the auditors have violated sections 227 and 229 of the Companies Act, 1956 or have been guilty of any professional misconduct, respectively. These provisions are, for the present, considered adequate to enforce discipline if accounts certified by a chartered accountant do not give a true and fair picture of the accounts of company.